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EXAMINER

VIZVARY, GERALD C

ART UNIT

PAPER NUMBER

3609

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PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary

Application No.

10/703,975

Applicant(s)

SAVASOGLU ET AL.

Examiner

Gerald C. Vizvary

Art Unit

3609

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☐ Responsive to communication(s) filed on ____.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-30 is/are pending in the application.
- 4a) Of the above claim(s) ____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) ____ is/are allowed.
- 6) ☒ Claim(s) 1-30 is/are rejected.
- 7) ☐ Claim(s) ____ is/are objected to.
- 8) ☐ Claim(s) ____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on ____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. ____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

KHOI H. TRAN
SUPERVISORY PATENT EXAMINER

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO/SB/08)
Paper No(s)/Mail Date 2/25/2004.

- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. ____.
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: ____.

DETAILED ACTION

Information Disclosure Statement

1. The information disclosure statement (IDS) submitted on 2/25/2004 was considered by the examiner.

Claim Rejections - 35 USC § 102

2. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent.

3. Claims 1-14 & 16-29 are rejected under 35 USC 102(e) as being unpatentable under Ross US 7,222,094 B2.

As for claim 1, Ross US 7,222,094 B2 teaches a straight debt security comprising:

a maturity component providing a maturity term of the straight debt security ("Further still, while the description of the general embodiment referred to each of the notes as having a specific maturity date, any other desired maturity date may of course be used." Ross US 7,222,094 B2, col. 31, lines 19-22);

Art Unit: 3609

a reset component providing terms and conditions for resetting a yield of the straight debt security ("setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of the obligation into the stock according to a conversion formula. Ross US 7,222,094 B2, col. 1, lines 48-59); and

a remarketing component providing terms and conditions for remarketing the straight debt security to new investors, wherein, after remarketing, the straight debt security remains outstanding and potential recapture of excess tax benefits is postponed until the straight debt security ceases to be outstanding ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the notes (including the rank, term, and general market conditions Ross US 7,222,094 B2, col. 6, lines 46-56).

Art Unit: 3609

As for claim 2, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein the reset component is structured and arranged to ensure that the straight debt security qualifies for treatment as a contingent payment debt instrument under the tax code ("It is noted, however, that the application of the regulations that govern contingent payment debt instruments to a holder of a note may be otherwise construed or interpreted by the Internal Revenue Service and it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, or should not have recognized ordinary income upon a taxable disposition of a note. Ross US 7,222,094 B2, col. 6, lines 65-col. 7, line 6).

As for claim 3, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein the reset component provides, at a remarketing time, that yield for a next period is set to a benchmark interest rate in effect at least three months earlier than the remarketing time ("In one embodiment a method for conducting a transaction is provided, comprising: setting an initial yield for an obligation issued by an issuer, wherein the initial yield is applied to the obligation for an initial time period; setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of

Art Unit: 3609

the obligation into the stock according to a conversion formula." Ross US 7,222,094 B2, col. 1, lines 48-59).

As for claim 4, Ross US 7,222,094 B2 teaches a straight debt security of claim 3, wherein the reset component provides a plug rate for the period starting after the end of the next period and ending at a future remarketing time, that when combined with the yield for the next period results in an interest rate that investors would accept for the period starting at the remarketing time and ending at a future remarketing time (Further still, there may be multiple adjusted interest rates for multiple stock price thresholds (wherein the adjusted interest rate may move up and/or down). Further still, there may be a formula or "sliding scale" for setting (e.g., up or down) the adjusted interest rate (e.g., one or both of the first reset accretion rate and the second reset accretion rate) for one or more stock price thresholds (such a "sliding scale" may comprise setting the adjusted interest rate to one or more values depending upon the stock price and the sliding scale may be fixed at the time of the issuance of the obligation and/or the sliding scale may be fixed after the issuance of the obligation and/or the sliding scale may vary over time" Ross US 7,222,094 B2, col. 6, lines 65-col. 5 lines 1-14).

As for claim 5, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein projected contingent payments are calculated based on one or more of forward rates and/or expected values of the contingent payments ("In one specific example, the present invention provides for what will hereinafter be referred to as a Contingent

Art Unit: 3609

Accretion Rate Convertible Zero-Coupon Security ("CARZ"). In one embodiment the CARZ may be a senior unsecured obligation (hereinafter sometimes referred to in the singular as "note" and in the plural as "notes"), which is convertible into shares of stock (e.g., common stock). The note may have a predetermined issue price and a nominal maturity amount, wherein the nominal maturity amount may be subject to any upward adjustment in the event there is an interest adjustment." Ross US 7,222,094 B2, col. 4, lines 24-34).

As for claim 6, Ross US 7,222,094 B2 teaches a straight debt security of claim 5, wherein a comparable yield is determined by referencing a yield of a fixed-rate debt instrument with terms and conditions similar to terms and conditions of the straight debt security ("Also, if the Reset Rate Agent has not established the Reset Rate for the applicable semi-annual period, or if the Reset Rate Agent determines in its sole judgment that there is no suitable reference rate from which the Reset Rate may be determined, the Reset Rate for that period may be the Reset Rate most recently determined (except if there is no Reset Rate most recently determined, in which case the Reset Rate may be a rate mutually agreed upon by the Reset Rate Agent and Issuer reflecting current market conditions), such Reset Rate to remain in effect until the Reset rate Agent determines that there is a suitable reference rate at which time the Reset Rate Agent may determine a new Reset Rate for the period ending on the next Reset Rate Determination Date.." Ross US 7,222,094 B2, col. 8, lines 15-28.)

Art Unit: 3609

As for claim 7, Ross US 7,222,094 B2 teaches a straight debt security of claim 5, wherein, a projected payment schedule includes each noncontingent payment and the projected contingent payments ("The first reset yield may equal a rate that would result in a trading price of par of a hypothetical issue of a debt security of a reset rate target entity, wherein the terms of the hypothetical issue of the debt security may include: (i) a predetermined maturity (e.g., a predetermined number of days, weeks, months, or years); and (ii) an aggregate principal amount substantially equal to an accreted principal amount of the obligation. The hypothetical issue of the debt security may be a hypothetical issue of a senior, nonconvertible, noncontingent, fixed rate debt security." Ross US 7,222,094 B2, col. 3, lines 22-31).

As for claim 8, Ross US 7,222,094 B2 teaches a straight debt security of claim 5, wherein adjustments are made based on a comparison of projected contingent payments to actual contingent payments ("The conversion ratio and the equivalent conversion price of a note in effect at any given time may be referred to as the applicable conversion ratio and the Accreted Conversion Price, respectively, and may be subject to adjustment as described below." Ross US 7,222,094 B2, col. 12, lines 2-7).

As for claim 9, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein the remarketing component provides that straight debt security is remarketed as a new one-year straight debt security ("An Issuer may issue the notes for resale by

Art Unit: 3609

one or more initial purchasers (or "underwriters") to note holders (e.g., qualified institutional buyers). The notes may be issued under an Indenture (including an original indenture and any supplemental indentures) among the Issuer, a Support Company, and a Trustee. The Indenture may provide for the issuance from time to time of debt securities in an unlimited dollar amount and an unlimited number of series. Support Company may agree to make any payments required under the notes if Issuer defaults with respect to those payments." Ross US 7,222,094 B2, col. 5, lines 66-col. 6, line 8) and ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt securities of a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year" Ross US 7,222,094 B2, col. 7, lines 66-col. 8 line 13)

As for claim 10, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein the remarketing component provides that straight debt security is remarketed as a straight debt security having a term of at least five years ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt securities of

Art Unit: 3609

a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year; (ii) an aggregate principal amount equal to the accreted principal amount of the notes; and (iii) covenants and other provisions that are, insofar as would be practicable for an issue of senior, nonconvertible, fixed-rate debt securities, substantially identical to those of the notes. Ross US 7,222,094 B2 col. 7, line 66-col. 8, line 13).

As for claim 11, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein a remarketing time comprises annual remarketing dates ("The note may have a predetermined issue price and a nominal maturity amount, wherein the nominal maturity amount may be subject to any upward adjustment in the event there is an interest adjustment. The nominal maturity amount may represent a predetermined annual initial accretion rate and such initial accretion rate may be in effect for a predetermined period of time after the issuance of the note." Ross US 7,222,094 B2 col. 4, line 30-37)

As for claim 12, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein a remarketing time comprises remarketing dates at least every five years ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt

Art Unit: 3609

securities of a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year; (ii) an aggregate principal amount equal to the accreted principal amount of the notes; and (iii) covenants and other provisions that are, insofar as would be practicable for an issue of senior, nonconvertible, fixed-rate debt securities, substantially identical to those of the notes. Ross US 7,222,094 B2 col. 7, line 66-col. 8, line 13).

As for claim 13, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein a remarketed security includes current coupon payments ("Issuer may issue the notes in book-entry form, without interest coupons. Issuer may or may not charge a service charge for any registration of transfer or exchange of the notes. Issuer may, however, require the payment of any tax or other governmental charge payable for that registration. ". Ross US 7,222,094 B2 col. 27, lines 23-27).

As for claim 14, Ross US 7,222,094 B2 teaches a straight debt security of claim 1, wherein a remarketed security has no current coupon payments ("One embodiment of the present invention may be used in the context of a pure zero-coupon security (e.g., a bond), wherein the pure zero-coupon security may pay a yield based on the price of a tracked stock. For the purposes of the present application, the "yield" associated with

Art Unit: 3609

the pure zero-coupon security may be an "accretion rate"." Ross US 7,222,094 B2 col. 4, lines 4- 9).

As for claim 16, Ross US 7,222,094 B2 teaches a financial method comprising the steps of:

issuing a straight debt security to a holder, the straight debt security including a maturity component providing a maturity term of the straight debt security, a reset component that specifying terms and conditions for resetting a yield of the straight debt security ("In another embodiment a method for conducting a transaction is provided, comprising: setting at least one of an issue price, a maturity date, and a nominal maturity value for an obligation issued by an issuer; setting an initial yield for the obligation, wherein the initial yield is applied to the obligation for an initial time period; setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of the obligation into the stock according to a conversion formula. Ross US 7,222,094 B2 col. 1, line 48-line 59), and

a remarketing component providing terms and conditions for remarketing the straight debt security to new investors (" The stock may be stock in the issuer. The stock may

Art Unit: 3609

be stock in an entity having a legal relationship with the issuer. The legal relationship may be selected from the group including, but not limited to: a) parent company; b) subsidiary; and c) holding company. The stock may be stock in an entity that is not legally related to the issuer. The stock may be in an entity whose stock is publicly traded. The obligation may be sold to a holder by an underwriter. The obligation may be sold by the issuer to the underwriter for resale to the holder." Ross US 7,222,094 B2, col. 3, line 61- col. 4, line 3); and

offering, at a remarketing time, the straight debt security to one or more new investors, wherein, after remarketing, the straight debt security remains outstanding and potential recapture of excess tax benefits is postponed until the time the straight debt security ceases to be outstanding ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the notes (including the rank, term, and general market conditions Ross US 7,222,094 B2, col. 6, lines 46-56).

Art Unit: 3609

As for claim 17, Ross US 7,222,094 B2 teaches a method of claim 16, further comprising calculating projected contingent payments ("In addition, a holder may recognize ordinary income upon a conversion of a note into the common stock of Support Company equal to the excess, if any, between the value of the stock received on the conversion and the holder's adjusted tax basis in the note. It is noted, however, that the application of the regulations that govern contingent payment debt instruments to a holder of a note may be otherwise construed or interpreted by the Internal Revenue Service and it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, or should not have recognized ordinary income upon a taxable disposition of a note.". Ross US 7,222,094 B2, col. 6, line 61-col. 17 line 6).

As for claim 18, Ross US 7,222,094 B2 teaches a method of claim 17, wherein the projected contingent payments are calculated based on one or more of forward rates and/or expected values of the contingent payments ("No adjustment in the Accreted Conversion Price may necessarily be required unless the adjustment would require an increase or decrease of at least 1% of the Accreted Conversion Price. If the Adjustment is not made because the adjustment does not change the Accreted Conversion Price by more than 1%, then the adjustment that is not made may be carried forward and taken into account in any future adjustment.. Ross US 7,222,094 B2, col. 16, line 61-col. 17 line 1).

Art Unit: 3609

As for claim 19, Ross US 7,222,094 B2 teaches a method of claim 18, wherein a comparable yield is determined by referencing a yield of a fixed-rate debt instrument with terms and conditions similar to terms and conditions of the straight debt security ("For example, the present invention may, of course, also be used in the context of a security which is not a zero-coupon security, or which has attributes of both a zero-coupon security and a non-zero-coupon security. Further, while specific offering details regarding the CARZ terms are disclosed with reference to the general embodiment (e.g., issue price, nominal maturity amount, maturity date, nominal yield, redemption dates and terms, conversion dates and terms, repurchase dates and terms, interest adjustment dates and terms, etc.), it is to be understood that the present invention contemplates use of the CARZ structure with any other desired terms (e.g., a different issue price, a different maturity date, a different nominal maturity amount, a different nominal yield, different redemption dates and/or terms, different conversion dates and/or terms, different repurchase dates and/or terms, different interest adjustment dates and/or terms, etc.)." Ross, US 7,222,094 B2, col. 5, lines 48-61).

As for claim 20, Ross US 7,222,094 B2 teaches a method of claim 16, further comprising adjusting, at a remarketing time, a yield of the straight debt security for a period of three months after the remarketing time, to a benchmark interest rate in effect at least three months earlier than the remarketing time (Further, while the present invention has been described with regard to particular calculation periods (e.g., quarterly and semi-annual calculation periods), any desired calculation periods (e.g.,

Art Unit: 3609

weekly, monthly, quarterly, semi-annually, or yearly) may be used (and the specific dates defining such calculation periods may be any desired dates). Ross US 7,222,094 B2, col. 31, line 19-22).

As for claim 21, Ross US 7,222,094 B2 teaches a method of claim 17, further comprising making adjustments based on a comparison of projected contingent payments to actual contingent payments ("For the purposes of this application, a "test window" shall mean a desired number of days over which a test or comparison is performed. Beginning on May 15, 2004, if the closing sales price of the common stock of Support Company is equal to or less than 60% of the Accreted Conversion Price of the notes for any x number of trading days (e.g., 20 trading days) out of the last y number of consecutive trading days (e.g., 30 trading days) ending three business days prior to such date or three business days prior to any May 15 or November 15 thereafter, then the accretion rate on the notes for the semi-annual period commencing on such date may be subject to an increased accretion rate equal to the applicable per annum Reset Rate in effect at that time.." Ross US 7,222,094 B2, col. 6, lines 46-56).

As for claim 22, Ross US 7,222,094 B2 teaches a method of claim 21, wherein if the actual contingent payments exceed the projected contingent payments, a positive adjustment is made ("Further, the adjusted interest rate may have high value and/or low value caps. Further still, there may be multiple adjusted interest rates for multiple stock price thresholds (wherein the adjusted interest rate may move up and/or down).

Art Unit: 3609

Further still, there may be a formula or "sliding scale" for setting (e.g., up or down) the adjusted interest rate (e.g., one or both of the first reset accretion rate and the second reset accretion rate) for one or more stock price thresholds (such a "sliding scale" may comprise setting the adjusted interest rate to one or more values depending upon the stock price and the sliding scale may be fixed at the time of the issuance of the obligation and/or the sliding scale may be fixed after the issuance of the obligation and/or the sliding scale may vary over time)." Ross US 7,222,094 B2, col. 5, lines 1-14).

As for claim 23, Ross US 7,222,094 B2 teaches a method of claim 21, wherein if the actual contingent payments are less than the projected contingent payments, a negative adjustment is made made ("Further, the adjusted interest rate may have high value and/or low value caps. Further still, there may be multiple adjusted interest rates for multiple stock price thresholds (wherein the adjusted interest rate may move up and/or down). Further still, there may be a formula or "sliding scale" for setting (e.g., up or down) the adjusted interest rate (e.g., one or both of the first reset accretion rate and the second reset accretion rate) for one or more stock price thresholds (such a "sliding scale" may comprise setting the adjusted interest rate to one or more values depending upon the stock price and the sliding scale may be fixed at the time of the issuance of the obligation and/or the sliding scale may be fixed after the issuance of the obligation and/or the sliding scale may vary over time)." Ross US 7,222,094 B2, col. 5, lines 1-14).

Art Unit: 3609

As for claim 24, Ross US 7,222,094 B2 teaches a method of claim 16, wherein the straight debt security is remarketed as a new one-year straight debt security ("An Issuer may issue the notes for resale by one or more initial purchasers (or "underwriters") to note holders (e.g., qualified institutional buyers). The notes may be issued under an Indenture (including an original indenture and any supplemental indentures) among the Issuer, a Support Company, and a Trustee. The Indenture may provide for the issuance from time to time of debt securities in an unlimited dollar amount and an unlimited number of series. Support Company may agree to make any payments required under the notes if Issuer defaults with respect to those payments." Ross US 7,222,094 B2, col. 5, lines 66-col. 6, line 8) and ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt securities of a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year" Ross US 7,222,094 B2, col. 7, lines 66-col. 8 line 13)

As for claim 25, Ross US 7,222,094 B2 teaches a straight debt security of claim 16, wherein the remarketing component provides that straight debt security is remarketed as a new straight debt security having a term of five or more years ("An Issuer may issue the notes for resale by one or more initial purchasers (or "underwriters") to note

Art Unit: 3609

holders (e.g., qualified institutional buyers). The notes may be issued under an Indenture (including an original indenture and any supplemental indentures) among the Issuer, a Support Company, and a Trustee. The Indenture may provide for the issuance from time to time of debt securities in an unlimited dollar amount and an unlimited number of series. Support Company may agree to make any payments required under the notes if Issuer defaults with respect to those payments." Ross US 7,222,094 B2, col. 5, lines 66-col. 6, line 8) and ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt securities of a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year" Ross US 7,222,094 B2, col. 7, lines 66-col. 8 line 13).

As for claim 26, Ross US 7,222,094 B2 teaches a straight debt security of claim 16, wherein a remarketed security has current coupon payments ("Another embodiment of the present invention may be used in the context of a security (e.g., a bond) that is not a pure zero-coupon security, wherein the security which is not a pure zero-coupon security may pay a yield based on the price of a tracked stock. For the purposes of the present application, the "yield" associated with the security that is not a pure zero-

Art Unit: 3609

coupon security may be a "cash payment yield" or a combination of a "cash payment yield" and an "accretion rate". Ross US 7,222,094 B2, col. 4, lines 4-9)

As for claim 27, Ross US 7,222,094 B2 teaches a straight debt security of claim 16, wherein a remarketed security has no current coupon payments (One embodiment of the present invention may be used in the context of a pure zero-coupon security (e.g., a bond), wherein the pure zero-coupon security may pay a yield based on the price of a tracked stock. For the purposes of the present application, the "yield" associated with the pure zero-coupon security may be an "accretion rate" Ross US 7,222,094 B2, col. 4, lines 10-18).

As for claim 28, Ross US 7,222,094 B2 teaches a method of claim 16, wherein the straight debt security is remarketed annually ("The hypothetical issue of the debt security may be a hypothetical issue of a senior, nonconvertible, noncontingent, fixed rate debt security. The predetermined maturity may equal a predetermined number of years between 1 and 20." Ross US 7,222,094 B2, col. 3, lines 29-33).

As for claim 29, Ross US 7,222,094 B2 teaches a straight debt security of claim 16, wherein a remarketing time comprises remarketing dates at least every five years ("The Reset Rate determined as of each Reset Rate Determination Date may be equal to the rate that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par of a hypothetical issue of senior, nonconvertible, noncontingent, fixed rate debt

Art Unit: 3609

securities of a "reset rate target entity" (including, but not limited to, one of the Issuer, the Support Company, and/or any other desired entity) with (i) a final maturity equal to, in the case of the Five-Year Reset Rate, five years; in the case of the Two-Year Reset Rate, two years; and in the case of the One-Year Reset Rate, one year; (ii) an aggregate principal amount equal to the accreted principal amount of the notes; and (iii) covenants and other provisions that are, insofar as would be practicable for an issue of senior, nonconvertible, fixed-rate debt securities, substantially identical to those of the notes. Ross US 7,222,094 B2 col. 7, line 66-col. 8, line 13).

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Claims 15 & 30 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ross US 7,222,094 B2 in view of Lange US 2002/0147670 A1.

As for claim 15, Ross US 7,222,094 B2 shows a straight debt security of claim 1.

Ross fails to show a 30-year term

Art Unit: 3609

Lange US 2002/0147670 A1 teaches "In a preferred embodiment of the present invention, investments may be solicited over ranges of outcomes for market events, such as the event that the 30-year U.S. Treasury bond will close on a given date with a yield between 6.10% and 6.20%." Lange US 2002/0147670 A1 ¶[0256])

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify the invention of Ross to include a 30-year term since someone seeking financial growth over a long term would seek an investment in long-term securities.

As for claim 30, Ross US 7,222,094 B2 shows a system comprising:

an issuing agent for issuing a straight debt security to a holder, the straight debt security including a maturity component providing a maturity term of the straight debt security, a reset component that specifies terms and conditions for resetting a yield on the straight debt security, and a remarketing component providing terms and conditions for remarketing the straight debt security to new investors ("In another embodiment a method for conducting a transaction is provided, comprising: setting at least one of an issue price, a maturity date, and a nominal maturity value for an obligation issued by an issuer; setting an initial yield for the obligation, wherein the initial yield is applied to the obligation for an initial time period; setting a current yield for the obligation, wherein the current yield is applied to the obligation after the initial time period has elapsed, and wherein the current yield is set equal to one of a first reset yield and a second reset

Art Unit: 3609

yield, depending upon a value of a share of a stock in relation to an accreted conversion price of the obligation; and permitting conversion of the obligation into the stock according to a conversion formula. Ross US 7,222,094 B2 col. 1, line 48- line 59); and

a remarketing agent for offering, at a remarketing time, the straight debt security to one or more new investors, wherein, after remarketing, the straight debt security remains outstanding and potential recapture of excess tax benefits is postponed until the straight debt security ceases to be outstanding ("Each holder may agree, for U.S. federal income tax purposes, to treat the notes as "contingent payment debt instruments" and to be bound by Issuer's application of the Treasury regulations that govern contingent payment debt instruments, including Issuer's determination that the rate at which interest may be deemed to accrue for federal income tax purposes may be 7.51%, compounded semi-annually, which may be the rate comparable to the rate at which Issuer may borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the notes (including the rank, term, and general market conditions Ross US 7,222,094 B2, col. 6, lines 46-56).

Ross fails to show a computer system.

Lange US 2002/0147670 A1 shows "Preferred embodiments of the system of the present invention involve the use of electronic technologies, such as computers, computerized databases and telecommunications systems, to implement methods for

Art Unit: 3609

conducting demand-based trading of the present invention.” (Lange US 2002/0147670

A1 ¶[0068])

It would have been obvious to one of ordinary skill in the art at the time of the invention to modify the invention of Ross to include a computer system to allow “investors to make and execute conditional or limit orders, where an order is executed or withdrawn in response to a calculation of a probability of the occurrence of one or more of the defined states. (Lange US 2002/0147670 A1 ¶[0068])

Conclusion

6. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Roberts (US 4839804 A) shows a method and apparatus are provided to insure a means of purchasing a floating rate zero-coupon note, that is designed to fund a certain future liability of uncertain value and thereby defease fully its future cost. The method is a one-year renewable term insurance program that fully funds the purchase of a certain floating rate zero-coupon note upon the occurrence of some catastrophic event, such as the death of the insured. The system projects the expected death benefit payment and then calculates the annual insurance premium based on the expected death benefit payment, type of policy, and personal and risk characteristics of the insured.

Art Unit: 3609

Leon US (US 5,832,461) shows data processing for a form of relationship management links, supervises, and balances depositors, marketing agents, financial intermediaries, mortgage brokers, and borrowers in an inflation-adjusted financing program. Funds are deposited in participating financial institutions in return for certificates of deposit yielding a fixed rate of interest, plus principal growth at a yearly rate equal to that year's rate of growth in the Consumer Price Index-All Urban Consumers, All Items. Funds on deposit are loaned to borrower, either directly or through brokers, at a rate calculated by adding three components: a fixed debt service rate, a fixed constant interest rate, and an inflation factor interest rate which reflects the effects of inflation on the outstanding loan balance. The organizing company synchronizes the entire program by contacting depositors through a marketing agent, designating institutions to receive depositors' funds, contacting borrowers directly or through brokers, and by supplying data processing capabilities to financial intermediaries for purposes of implementation of the program and for the analysis of the effects of the program on the intermediaries' capital structures.

Birle (Pub. No.2005/0160025) shows a contingent convertible debt instrument containing a provision permitting conversion only if any of certain economically substantial contingencies are satisfied. For example there may be a provision that conversion is permitted only if the issuer's stock price reaches some price, defined as some predetermined price substantially higher than the conversion price, is reached. This contingent conversion trigger price may be 110% or 120% more of the conversion

Art Unit: 3609

price. The debt instrument may be a negotiable long-term zero-coupon note, and a provision may be included that the number of underlying instruments issuable or deliverable at conversion or exchange is adjusted under certain circumstances (e.g., merger, acquisition, or formulae amounts). Corresponding methods and systems are employed for offering and servicing such financial instruments.

1. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Gerald C. Vizvary whose telephone number is 571-270-3268. The examiner can normally be reached on Monday thru Friday.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Khoi Tran can be reached on 571-272-6919. The fax phone number for the organization where this application or proceeding is assigned is 571-270-4268.

Art Unit: 3609

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Gerald Vizvary
Patent Examiner, A.U. 3609
September 25, 2007

KHOI H. TRAN
SUPERVISORY PATENT EXAMINER

A handwritten signature in black ink, appearing to read 'Khoi H. Tran', is written over the printed name and title.